

POPULAR ANNUAL FINANCIAL REPORT

For the Year Ended
September 30, 2016

CITY OF FRISCO, TEXAS





CITY OF FRISCO, TEXAS POPULAR ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2016

Prepared by: Financial Services Department

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Assistant Director - Budget Jennifer Hundt, CPA, CGFO

The Popular Annual Financial Report (PAFR) is intended to summarize the statistical, economic and financial information contained in the 2016 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and was independently audited by Weaver LLP. The PAFR, while unaudited, provides a brief analysis of where the City's revenues come from and where the dollars are spent as well as trends and local economic information. It is presented as a means of increasing public awareness about the City's financial condition through a more user-friendly presentation. Most of the detailed financial information in this report refers to our operating accounts, not all the individual funds and component unit funds. For a more detailed, GAAP basis, full disclosure review of the individual funds and component unit financial statements, one should refer to the City's CAFR that is accessible through the City's website: www.friscotexas.gov

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The City of Frisco, incorporated in 1908, is located in west central Collin County and east central Denton County, approximately 25 miles north of downtown Dallas at the intersection of the Dallas North Tollway (DNT) and State Highway 121, now known as Sam Rayburn Tollway (SRT). US Highway 380 is the northern border for the City, FM 423 is the western border, Custer Road the eastern border and State Highway 289 is a major north/south corridor. DFW Airport and Love Field are within a short 30 minute drive.

Frisco is a political subdivision that operates as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1987 and amended in 2002 and 2010. The City operates under the Council/Manager form of government. Policy making and legislative authority are vested in the governing council, which consists of the Mayor and six members elected at large. The Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and Municipal Judge.



Will Sowell
Mayor Pro Tem
Place 3



Maher Maso
Mayor



Tim Nelson
Deputy Mayor Pro Tem
Place 5



Bob Allen
Place 1



Shona Huffman
Place 2

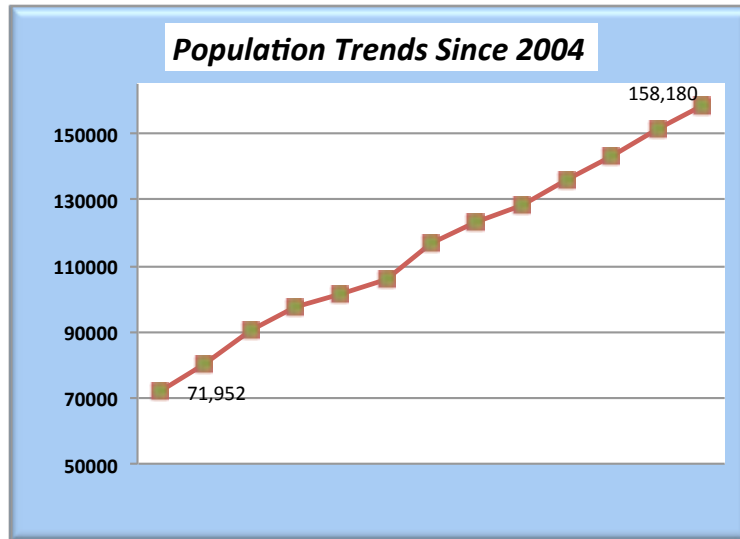


Bill Woodard
Place 4



Scott Johnson
Place 6

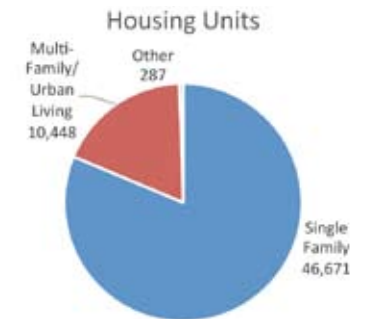
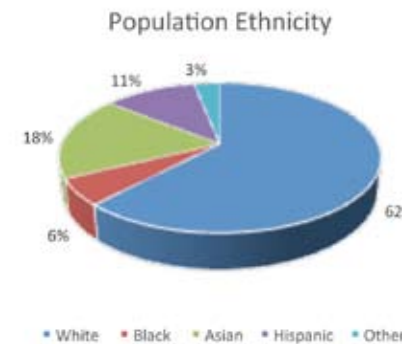
POPULATION AND DEMOGRAPHIC TRENDS



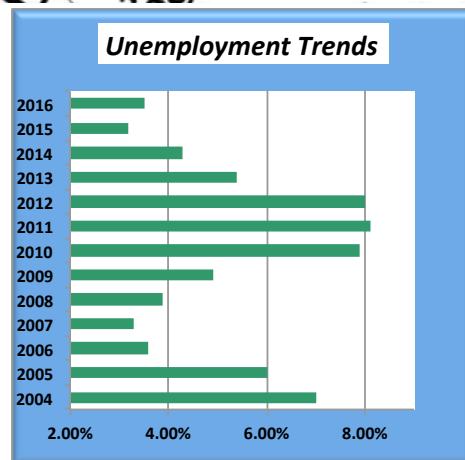
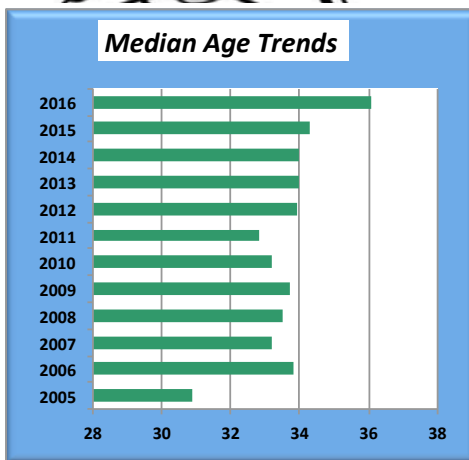
The annual population growth rate in 2016 was 4.7%, with a gain of over 6,000 residents.



DEMOGRAPHICS



Frisco continues to experience substantial population growth and is considered one of the fastest growing cities in the United States over the past decade.



ECONOMIC DEVELOPMENT

Frisco is home to a diversified group of companies. The Frisco Economic Development Corporation (FEDC) continues implementing concepts identified in the Comprehensive Economic Development Strategy adopted in 2010. That strategy is undergoing a refresh and a new Comprehensive Economic Development Strategy will be adopted in 2017. The areas of industry focus are: Computers & Electronics, Medical Services, Telecommunications, Financial Services, Software & Media, Entertainment & Recreation and Renewable Energy. Also included in the strategy are four major focus goals for the FEDC:

- Attract jobs from outside the DFW metroplex;
- Retain & expand local businesses;
- Enhance Frisco's innovation culture through entrepreneurship;
- Improve product readiness & competitiveness.



CORPORATE PRESENCE

During FY16, the FEDC facilitated and/or executed Performance Agreements with 18 projects, which are anticipated to construct or occupy more than 11.9 million square feet of new space, generate new capital investment in excess of \$2.1 billion and create and/or retain more than 16,000 jobs in the City of Frisco.

Corporate Relocations (corporate or regional headquarters)

- CalAtlantic Homes of Texas
- FM Global
- Jamba Juice
- Preferred Medical Imaging, Inc.
- Schneider Optical Machines

Expansions:

- Professional Futsal League, LLC
- Randstad Technologies
- Valify Inc.

New Development / Qualified Infrastructure:

- Blue Star Development
- BRE Retail Residential Owner
- CNMK Texas Partners
- Frisco Rail Yard
- Frisco Station
- Hall Park Building #17
- Moon Hotel
- NewQuest Equity, LC
- Paint and Pitch, LLC
- Texas Scottish Rite Hospital for Children



GOVERNMENT-WIDE STATEMENT OF NET POSITION

Government-wide financial statements provide financial information about the City as a whole. The government-wide focus is on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period for governmental activities and business-type activities.



Summary Statement of Net Position - 5 year Analysis (in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets	\$ 2,397,659	\$ 2,217,229	\$ 1,880,385	\$ 1,705,003	\$ 1,608,209
Deferred Outflow of Resources	36,137	26,926	17,248	9,788	-
Liabilities	946,928	978,684	776,581	654,531	625,939
Deferred Inflow of Resources	2,633	1,328	-	-	-
Net Position					
Net Investment in Capital Assets	1,300,399	1,109,352	966,883	925,126	871,046
Restricted	92,718	85,577	59,136	47,653	17,046
Unrestricted	91,118	74,214	71,300	77,921	94,178
Total Net Position	<u>\$ 1,484,235</u>	<u>\$ 1,264,143</u>	<u>\$ 1,097,319</u>	<u>\$ 1,050,700</u>	<u>\$ 982,270</u>

Net Position, the amount that assets and deferred outflows of resources exceed liabilities and deferred inflow of resources, may serve over time as a useful indicator of a City's financial position. It is a snapshot of the City's entire resources and obligations, or net worth, at the close of the fiscal year.

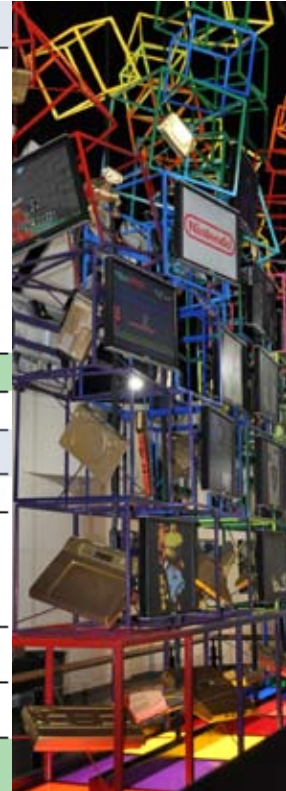
The City's combined net position is \$1.5 billion as of September 30, 2016, which consists of \$1.157 billion in governmental activities and \$327 million in business-type activities.

The three components of net position are:

Net Investment in Capital Assets represents the City's investment in land, buildings, improvements other than buildings (infrastructure), machinery, equipment, vehicles and construction in progress, less unspent bond proceeds. **Restricted assets** represent external restrictions imposed by creditors, grantors, contributors, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. **Unrestricted assets** represent assets that may be used to meet the City's ongoing obligations to residents and creditors.

Summary Statement of Activity – 5 year Analysis

REVENUES	2016	2015	2014	2013	2012
General:					
Property tax	\$ 97,716,101	\$ 85,412,246	\$ 75,849,283	\$ 69,014,412	\$ 67,161,904
Sales tax	37,826,251	36,003,036	34,196,948	29,158,661	24,489,084
Other tax	33,201,613	33,515,804	31,138,619	30,448,373	33,053,515
Investment & other	2,257,217	1,126,915	443,179	722,397	692,414
Program:					
Charges for services	125,692,875	113,904,792	100,728,425	95,659,529	84,119,979
Grants and contributions	236,396,514	174,270,328	83,653,721	81,349,065	20,120,558
Total revenue	533,090,571	444,233,121	326,010,175	306,352,437	229,637,454
EXPENSES					
Total expenses	312,999,451	277,409,272	255,659,066	237,921,266	221,449,886
Change in net position	220,091,120	166,823,849	70,351,109	68,431,171	8,187,568
Net position, beginning	1,264,143,495	1,097,319,646	1,050,700,978	982,269,807	974,082,239
As restated			(23,732,441)	-	-
Net position, ending	\$ 1,484,234,615	\$ 1,264,143,495	\$ 1,097,319,646	\$ 1,050,700,978	\$ 982,269,807



The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. All revenues and expenses are taken into account as soon as the underlying event is known, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The City utilizes several different fund types to track financial activity. Most common descriptions are:

General Fund - The chief operating fund of the local government. Generally accepted accounting principles prescribes that the general fund be used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Accounts for proceeds of specific sources that are legally restricted or have been restricted for specific purposes

Capital Project Funds - Accounts for major capital acquisition and construction activities.

Debt Service Funds - Accounts for the accumulation of resources and the payment of general long-term debt.

Enterprise Funds - Accounts for services financed by fees charged for goods and services. Financially managed like a business and referred to as business-type activities.

REVENUE CLASSIFICATIONS

General: Taxes - Property taxes (ad valorem) are the largest revenue source for the City. Sales tax, franchise tax from utilities, intergovernmental property tax for the Tax Increment Financing District, and mixed beverage taxes are also collected by the City. Details for the major governmental revenue sources can be found on the following pages of this report.

Program: Charges for Services - Revenues in this classification include our permits and licenses fees, ambulance and public safety fees, parks and recreation user fees, rentals, utility fees for water, sewer, garbage, and stormwater.

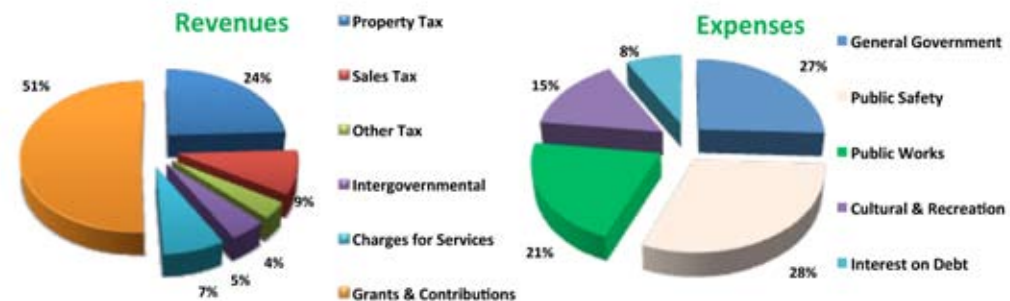
Program: Grants & Contributions - Revenues in this classification include any grants we have received during the year. Contributions include the developer contributions for infrastructure (roads and utilities), impact fee collections, assessment fee collections and various smaller donations for operations.

GOVERNMENTAL ACTIVITIES ANALYSIS

The City's governmental activities include the general fund, special revenue funds, capital project funds, and debt service funds; while business-type include the enterprise funds. The information below provides a short-term view of government operations and illustrates how services are financed.

The majority of the City's basic services, such as police, fire, libraries, parks & recreation, development, public works, and general administration are reported in governmental funds. Property taxes, sales taxes, and franchise fees finance most of these activities. Governmental funds focus on how money flows in and out of those funds and the balances left at year end that are available for spending. The City of Frisco maintains 16 individual governmental funds. As of September 30, 2016, the City of Frisco's governmental funds reported a combined ending fund balance of \$308 million, an increase of \$62 million in comparison to the prior fiscal year.

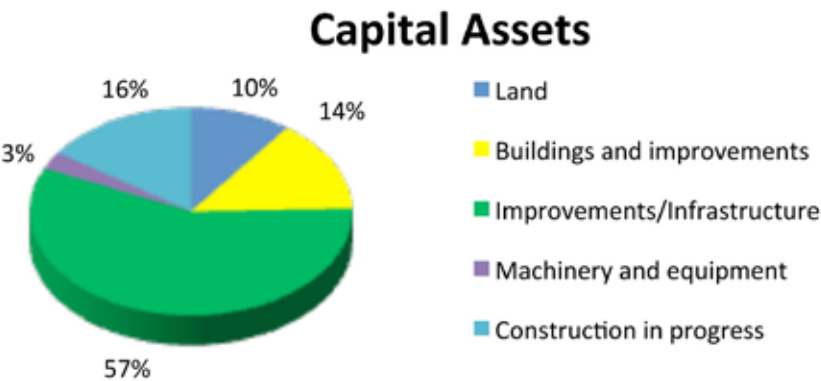
Total revenues for governmental activities increased when compared to the prior year by over \$75 million, mainly attributed to capital contributions from developers. General revenue had a net decrease of \$4 million attributed to an increase in property tax revenue, sales tax collections, franchise taxes and decreases in intergovernmental revenues or transfers from the component units. Program revenues had an increase of \$79 million where we saw charges for services increase for recreation fees and building permits, and we saw major increases in developer contributions for capital projects. Total expenses for governmental activities increased \$22 million or 11%. Major expenses include salaries and benefits of \$89.7 million or 41%, and depreciation expense of \$51.6 million or 23%.



CAPITAL ASSETS - WHAT WE OWN

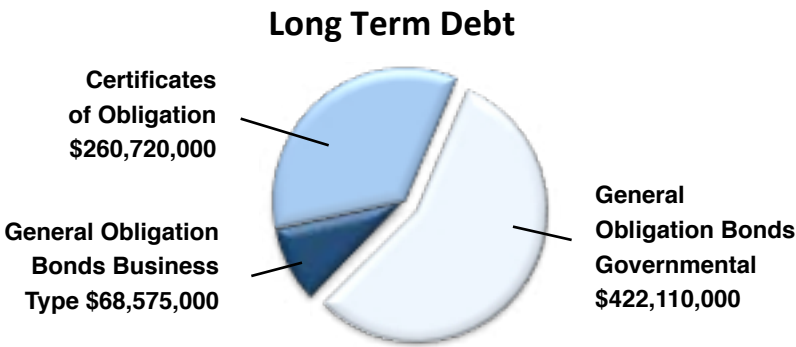
By far, the largest portion of the City’s net position (88%) reflects its investment in capital assets (land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate the liabilities.

As of September 30, 2016, \$1.8 billion of the City’s assets are invested in a broad range of capital assets, such as land, roads, water & sewer lines, public buildings, park facilities, machinery & equipment and construction in progress.



LONG TERM DEBT SERVICE - WHAT WE OWE

At September 30, 2016, the City’s total long-term debt for its governmental and business-type activities totaled \$751,405,000, which includes all debt for the city, excluding premiums and discounts.



GO bonds are issued for various City projects and repaid with ad valorem taxes. The major expend over the past ten years has been to construct new streets (48%). CO Bonds are issued for the Utility System infrastructure and for leased facility construction (such as the arena and stadiums).



Current Bond Ratings	Standard & Poor’s Corporation	Moody’s Investor Services
General Obligation Bonds	AA+	Aa1
Certificate of Obligation Bonds	AA+	Aa1

GENERAL FUND TRENDS

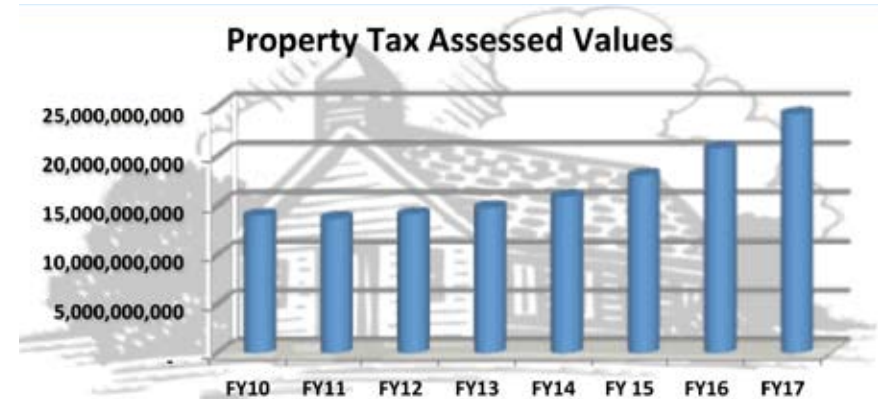
The fund balance (equity) of the general fund increased \$9.4 million to \$69.4 million from the prior year balance of \$60 million. Fund balance is a particularly important measure in the general fund because it reflects the primary functions of the government and includes local tax revenues. At the end of the current fiscal year, unassigned fund balance for the general fund of \$52 million is 41% of general fund expenditures. City financial policy requires us to maintain at least three months of expenditures or 25% in fund balance.

REVENUES:	2016	2015	2014	2013	2012
Taxes:					
Property	\$ 59,440	\$ 50,392	\$ 43,466	\$ 38,345	\$ 36,361
Sales	37,750	36,003	34,197	29,159	24,489
Franchise	8,776	8,923	8,395	7,472	7,591
Other	793	830	678	492	423
Charges for services	24,084	22,875	20,900	19,147	16,049
Intergovernmental	3,443	1,461	2,688	876	944
Investment earnings	588	278	78	93	133
Contributions, donations and grants	99	103	256	143	194
Payments from component units	50	51	50	45	26
Miscellaneous	382	416	470	2,210	218
Total revenues	135,405	121,332	111,178	97,982	86,428
EXPENDITURES:					
Current:					
General government	33,886	33,748	32,047	25,216	21,229
Public safety	59,258	51,644	45,277	42,028	39,019
Public works	10,117	8,694	8,157	7,079	6,478
Culture and recreation	17,297	14,838	13,777	12,917	12,809
Capital outlay	5,961	3,316	2,506	2,692	1,803
Debt service:					
Principal retirement	-	-	-	-	-
Total expenditures	126,519	112,240	101,764	89,932	81,338
Excess of revenues over expenditures	8,886	9,092	9,414	8,050	5,090
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	428	115	1,203	77	98
Transfers in	1,539	5,751	1,333	729	722
Transfers out	(1,409)	(717)	(1,613)	(6,043)	(1,182)
Total other financing sources and uses	558	5,149	923	(5,237)	(362)
Net change in fund balances	9,444	14,241	10,337	2,813	4,728
Fund balances, beginning	59,989	45,748	35,411	32,598	27,870
Fund balances, ending	\$ 69,433	\$ 59,989	\$ 45,748	\$ 35,411	\$ 32,598

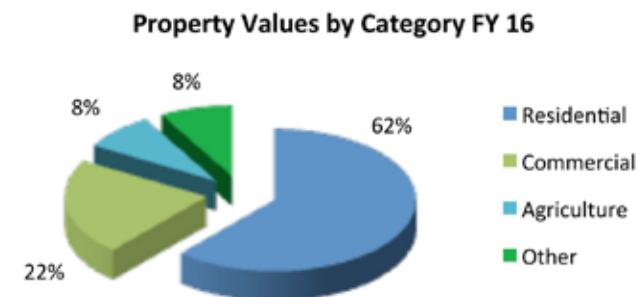
REVENUE SOURCES - PROPERTY TAX VALUES

Ad valorem property tax collections for operations and debt service are the City's largest operating revenue source and were \$97.7 million for FY 16. The Appraisal District's assessed value for the tax roll on January 1, 2015, (which the 2016 levy was based), totaled \$20.7 billion. This tax roll included \$1 billion in new property or a 5.59% increase and an increase of \$1.7 billion or 9.64%, in existing property values. Overall, the January 1, 2015 tax roll increased \$2.7 billion or 15.23% over the prior year. For illustration, we have also included our FY 17 assessed values of \$24.2 billion, an increase of 11.15% over FY 16.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation.



84% of Frisco's property tax value is the combination of single-family residence and commercial real property. The City's top five taxpayers are Stonebriar Mall, BPR Shopping Center, Hall Office Portfolio, AMLI Parkwood and Specified Properties with a combined taxable value of \$618 million.



REVENUE SOURCES - PROPERTY TAX RATES

Frisco's tax rate was \$.46 cents per \$100 of assessed valuation for FY16. The total tax rate includes \$.297064 cents for operations and maintenance (O&M) with \$.162936 cents for debt service (I&S). Frisco continues to offer one of the lowest municipal tax rates in the area. Our certified property tax base for FY 2016 was \$20 billion, with a \$65,000 exemption for Seniors Over 65.

The total property tax bill for a Frisco property owner includes the City, County, Independent School District, and College District (within Collin County). The chart shows the tax rate for each entity for FY 2016, for residents in Collin County and Frisco ISD.



Value
for your
Tax
Dollars



**Frisco Independent
School District
\$1.46**



**City of
Frisco
\$0.46**



**Collin
County
\$0.235**



**Collin
College
\$0.082**

The annual residential property tax bill for an average home valued at \$300,000 in Collin County, Frisco ISD was \$4,380 for FY 16. The City's share is \$1,380 per year or \$115 per month. The chart below shows how much of the annual City tax bill is allocated to each department and debt service.

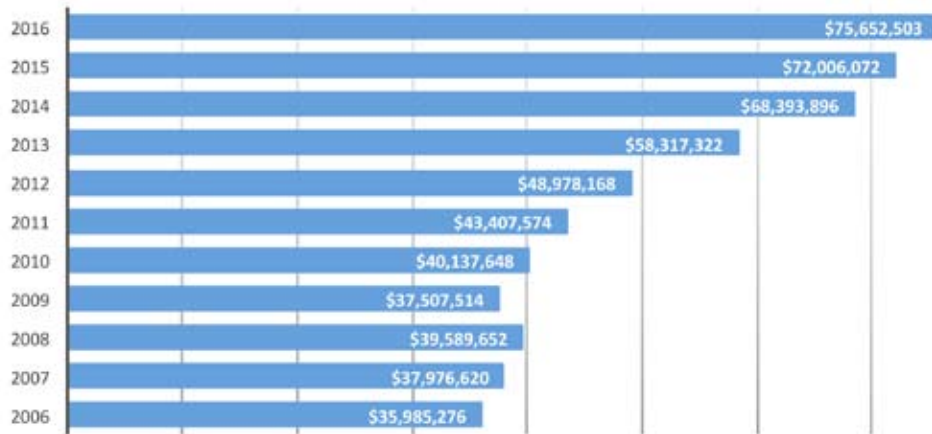
Tax Allocation by City Department



REVENUE SOURCES - SALES TAX COLLECTIONS

Total sales tax collections were over \$75 million for FY16, an increase of 5% over the prior fiscal year. The increase is due to overall collection increases particularly in retail sales and includes the 1% collected for the Type A and Type B Corporations (our component units).

Sales Tax Collection History



The City's local portion of 1% of the 8.25% sales tax is used to fund general fund expenses. The other 1% is used to fund our Type A & Type B corporations at .50% for economic development and .50% for park development. Sales tax collections are produced from Frisco's sizeable retail base, including a regional shopping mall, hundreds of specialty shops/boutiques and several other major retailers located in the City.

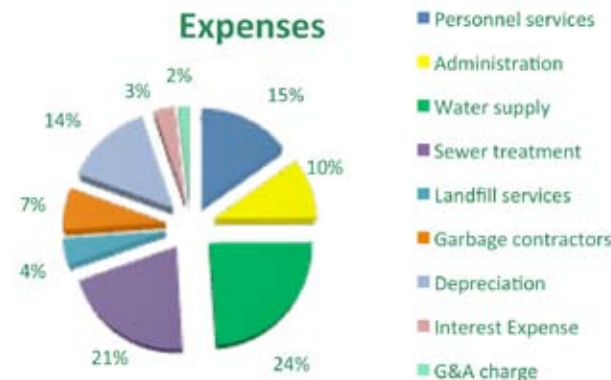


BUSINESS-TYPE REVENUES AND EXPENSES

We maintain separate enterprise funds to account for water and sewer, environmental services and stormwater drainage activities. These funds account for "business-type activities", similar to those found in the private sector, that include services funded through user charges.

The City's water and sewer system recorded charges for services of \$79 million and impact fees and contributions of \$32 million. Total operating expenses were \$79. The most significant expenses of the water and sewer fund were \$22.9 million to purchase water, \$19.5 million for the cost of sewage treatment, \$9.6 million for landfill charges and garbage collection, \$13.3 million for depreciation and \$14.2 million for salaries and benefits.

The charts below reflect the total revenues and expenses for all of the City's business type activity funds, including Utilities, Stormwater and Environmental Services.



Revenues by Type

Expenses by Object

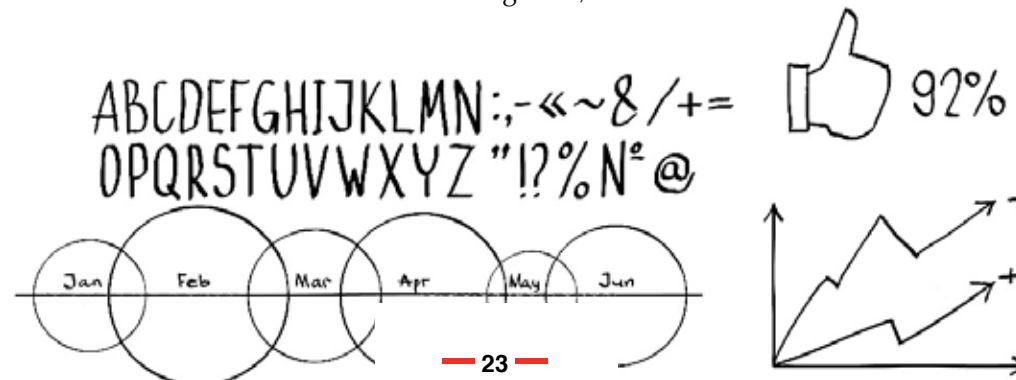
Fund Title	Estimated Beginning Balance 10/01	Taxes	Licenses & Permits	Fees	Interest	Miscellaneous	Interfund Transfers In	Salary & Benefit	Service & Commodity	Capital Outlay	Interfund Transfers Out	Estimated Ending Balance 9/30
General Fund	\$ 45,883,873	\$ 116,736,780	\$ 10,624,544	\$ 11,969,990	\$ 200,000	\$ 2,157,269	\$ 1,044,000	\$ 98,708,227	\$ 36,199,671	\$ 6,901,695	\$ 922,938	\$ 45,883,925
Insurance Reserve Fund	3,809,857	-	-	-	20,000	-	-	-	-	-	-	3,829,857
Capital Reserve Fund	10,784,960	-	-	-	50,000	-	500,000	-	9,846,944	-	235,000	1,253,016
Public Leased Improvement Fund	100,397	-	-	229,075	250	-	800,000	-	1,028,712	-	-	101,010
Special Events Fund	236,248	-	-	270,000	500	70,000	70,000	-	275,000	70,000	-	301,748
Workforce Housing Fund	457,376	-	-	-	3,000	-	-	-	70,300	-	-	390,076
Public Arts Fund	348,407	-	-	-	1,000	-	187,938	85,242	103,696	-	-	348,407
Superdome Fund	1,342,686	-	-	-	12,000	-	-	-	80,004	-	-	1,274,682
TIRZ Funds	3,675,283	27,142,359	-	4,667,177	-	-	5,650,681	-	13,505,845	-	24,760,560	2,869,095
Court Technology Fund	332,215	-	-	-	200	-	-	-	134,759	25,000	144,000	218,656
Traffic Control Enforcement	233,627	-	-	600,000	500	-	-	-	406,733	200,000	-	227,394
Hotel/Motel Tax Fund	1,244,522	4,530,791	-	-	1,000	285,200	-	1,562,192	2,109,365	-	2,009,119	380,837
Frisco Square MMD Fund	-	-	-	-	-	200,000	-	-	-	-	200,000	-
Panther Creek PID Fund	26,153	-	-	215,000	65,000	-	-	-	-	-	298,100	8,053
Grants Fund	-	-	-	-	-	1,787,831	115,000	-	1,389,979	512,852	-	-
CDBG Fund	-	-	-	-	-	849,542	-	-	849,542	-	-	-
Public Television Franchise Fund	776,628	440,000	-	-	1,000	-	-	-	-	1,201,500	-	16,128
Capital Projects Fund	873,574	-	-	-	-	70,337,130	7,584,417	-	-	57,909,097	-	20,886,024
Thoroughfare Impact Fee Fund	14,569,821	-	-	-	-	-	-	-	-	-	500,000	14,069,821
Park Dedication Fee Fund	18,308,576	-	-	-	-	-	-	-	-	-	-	18,308,576
Debt Service Fund	3,874,023	35,587,017	-	-	20,000	-	24,311,846	-	59,427,877	-	-	4,365,009
Utility Fund	45,272,421	-	-	88,478,936	20,000	400,000	3,300,281	14,269,263	70,855,833	2,100,793	-	50,245,749
Utility Capital Projects Fund	4,811,391	-	-	-	-	10,000,000	-	-	-	6,600,000	-	8,211,391
Utility Impact Fee Fund	22,031,344	-	-	-	-	-	-	-	-	-	3,000,000	19,031,344
Stormwater Fund	1,124,516	-	-	3,834,700	1,000	649,450	-	1,329,723	700,802	340,714	2,784,917	453,510
Environmental Services Fund	7,490,732	-	-	14,188,137	5,000	-	-	1,083,754	12,093,281	35,000	974,781	7,497,053
Community Development Fund	63,605,743	19,168,726	-	-	240,000	894,286	1,685,415	250,000	10,835,430	17,527,500	8,109,778	48,871,462
Economic Development Fund	96,126,562	19,168,726	-	-	125,000	4,928,931	-	1,981,019	34,399,593	60,000	1,310,385	82,598,222
Charitable Foundation Fund	15,695	-	-	-	-	1,700	-	-	1,700	-	-	15,695
Totals	\$ 347,356,630	\$ 222,774,399	\$ 10,624,544	\$ 124,643,015	\$ 765,450	\$ 92,561,339	\$ 45,249,578	\$ 119,269,420	\$ 254,315,066	\$ 93,484,151	\$ 45,249,578	\$ 331,656,740

BUDGET APPROPRIATIONS FY 2017

City Council adopted the FY 2017 Budget in September 2016, as required by City Charter. The budget is balanced with operating revenues exceeding expenses.

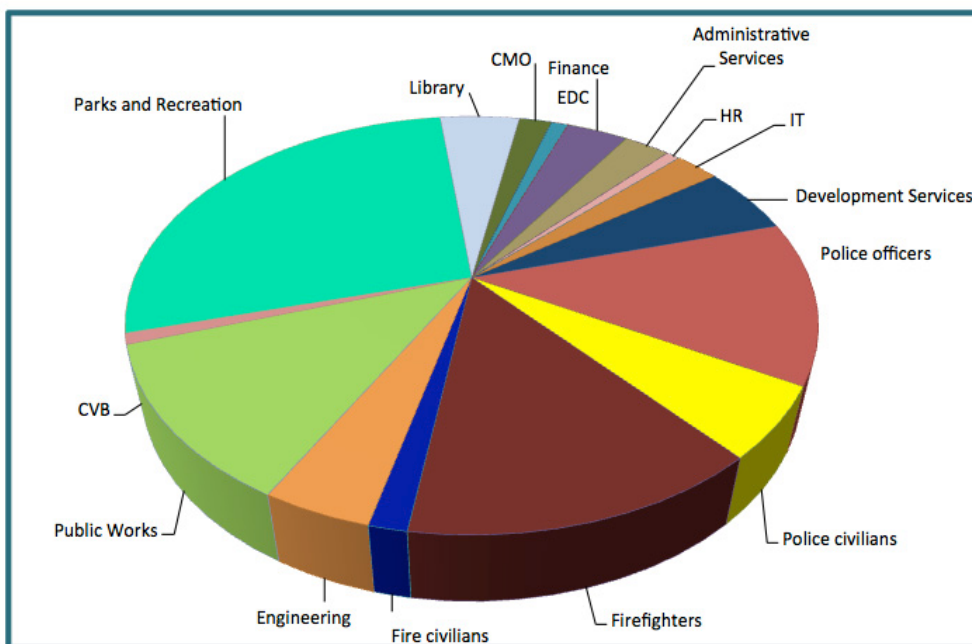
Total estimated revenues for FY17 include 45% for taxes, 27% for fees charged, 9% for interest income & miscellaneous, 3% for interfund transfers and 16% for bond proceeds to continue the Capital Improvement Programs, which are classified above in miscellaneous income.

Services account for 50% of the total expense, with salary and personnel costs totaling 23%. Capital outlay for the new budget year is projected to be 18% of the total expense with interfund transfers accounting for 9%.



STAFFING LEVEL HISTORY

Function	Staffing Levels - 5 Year History				
	2012	2013	2014	2015	2016
General government	206	202	217	238	258
Public safety					
Police					
Officers	146	151	158	170	180
Civilians	59	67	67	70	78
Fire					
Firefighters and officers	161	161	165	185	197
Civilians	13	15	15	17	21
Highways and streets					
Engineering	48	46	44	45	48
Maintenance	49	42	54	55	55
Culture and recreation	360	378	449	451	472
Environmental services	12	12	12	12	15
Water	79	80	83	87	92
Stormwater	7	6	11	12	14
Total	1,140	1,160	1,275	1,342	1,430



The Government Finance Officers Association of the United States and Canada (GFOA) has presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Frisco, Texas for its Popular Annual Financial Report for the fiscal year ended September 30, 2015.

The City Finance Department has also received two other recognitions from GFOA including the Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the last sixteen years and the Distinguished Budget Presentation Award for our Annual Budget for the past nine years.

Our Purchasing Division has received the NPI Achievement of Excellence in Procurement for twelve consecutive years. And, finally, the City has participated in the Texas Comptroller Leadership Circle Transparency Program since it was introduced in 2009.



